the money market. In so far as the money market is a factor in the price of goods, a stable money market exerts a stabilizing influence on prices. But there are many things besides the cost of credit or the price of money that enter into the prices of commodities. We cannot get around the very old law of supply and demand. If both the United States and Canada should produce an abnormally heavy crop of wheat; and the corn states should produce a light crop of corn, you would see low prices for wheat and high prices for corn irrespective of any Federal Reserve policy. Banks cannot boost the price of one great staple commodity and reduce the price of another, regardless of the plethora of one or the shortage of the other.

Again, the operation of the tariffs of a country cuts a big figure in prices. Take the case of sugar in the United States; for instance, sugar grown in Porto Rico and Hawaii comes in free of duty and the producers can get better than $4\frac{1}{2}$ cents a pound for that raw sugar, while in the case of Cuba, there is a duty of $1\frac{8}{10}$ of a cent per pound on sugar, and Cuban producers have to be satisfied with about $2\frac{3}{4}$ cents per pound. There are a great many things beyond the purview of banking which cut a very decided figure in establishing prices. All a banking system can do is to bend its efforts towards stabilizing the money market, so that in so far as money is a factor the price level will not be disturbed.

I think that is all I have to say, Mr. Chairman.

The CHAIRMAN: Mr. Harding is willing and anxious I assume to answer any questions he can which will be helpful to the Committee.

By Mr. Ladner:

Q. I gather from your remarks, Mr. Harding, that on the open market they buy and sell bills or acceptances. But that is not with the general public; you do not go beyond your member banks do you?—A. Yes, we buy acceptances from brokers who are non-members.

Q. In other words in these sections where they were charging 10 and 12 per cent interest, I had the impression that the Federal Reserve Bank had power to go into a district like that and ease the rate on money by their open market operations?—A. No, it is impossible, because they do not have any acceptances there in ordinary transactions.

Q. Is it possible for the Federal Reserve Bank to control that?—A. That same question was asked at Washington about a year ago. I am glad you brought it up. You are talking about the low rates at which a prime banker's bill can be sold. One man said he lived in the State of Iowa and had occasion to send stuff to Kansas City and that when he would get his provision broker there to accept a draft for him at 60 days, nobody had ever offered to buy that draft from him at 3 per cent; the best he could do was to take it to a local bank at Kansas City, and discount it at 6 per cent. He thought that was unfair. But this is merely a matter of the quality of the Bill. Take a Bill against an International shipment where it is accepted by some well-known bank or acceptance house with millions of dollars back of it and where you know that if you need money at any time, you can sell the bill to somebody else, because there is a broad demand for it on account of the name being well known, it would naturally command a lower rate of discount than a purely local bill accepted by somebody in Kansas City with a rating at about $10,000, and not known outside of his own town. There is a narrow market for one and a broad market for the other. You can go to any of the banks in Canada and if you have a Bill of Exchange payable in 60 days accepted by the National City Bank of New York for instance, I think the bank will make you a very low rate; but if, on the other hand you go there with an acceptance made by Jim Jones, of Kansas City, whom they had never heard of, and when they look in the Rating book they find him rated at about $10,000, I do not think they would give you a comparable rate if they bought it at all.

[Mr. W. P. G. Harding.]